



U.S. Department of Justice
Criminal Division
Fraud Section

1400 New York Ave., N.W.
Washington, D.C. 20530

September 19, 2019

Via ECF

The Honorable John G. Koeltl
United States District Judge
Daniel Patrick Moynihan
United States Courthouse
500 Pearl Street
New York, NY 10007-1312

Re: *In re JPMorgan Precious Metals Spoofing Litigation*
Master Docket No. 18-cv-10356 (JGK)

Dear Judge Koeltl:

On behalf of the United States, undersigned counsel respectfully submit the following update regarding certain events that have occurred in connection with the government's ongoing criminal investigation into precious metals trading activity at JPMorgan Chase Bank N.A. ("JPMorgan") since the Court's May 30, 2019 order extending the stay in the above-captioned consolidated action through October 31, 2019.

On August 20, 2019, Christian Trunz pleaded guilty to an information (attached as Exhibit A) charging him with one count of conspiracy to commit spoofing and one count of spoofing. *See United States v. Christian Trunz*, 19 CR 375 (E.D.N.Y.) (Johnson, J.). Until the date of his guilty plea, Trunz had been an Executive Director on JPMorgan's precious metals trading desk in London, England and had worked at the bank since June 2008. According to admissions made as part of his plea and other statements made in court, between approximately July 2007 and August 2016, Trunz placed thousands of orders that he did not intend to execute for precious metals futures contracts. Trunz admitted that he learned to spoof from more senior traders, and spoofed with the knowledge and consent of his supervisors.

On August 22, 2019, a grand jury in the Northern District of Illinois returned a sealed 14-count indictment (now unsealed, and attached as Exhibit B) against

Gregg Smith, Michael Nowak, and Christopher Jordan. *See United States v. Gregg Smith, et al.*, 19 CR 669 (N.D. Ill.) (Chang, J.). Each of the three defendants was charged with one count of conspiracy to conduct the affairs of an enterprise involved in interstate or foreign commerce through a pattern of racketeering activity (more commonly referred to as RICO conspiracy); one count of conspiracy to commit wire fraud affecting a financial institution, bank fraud, commodities fraud, price manipulation, and spoofing; one count of bank fraud; and one count of wire fraud affecting a financial institution. In addition, Smith and Nowak were each charged with one count of attempted price manipulation, one count of commodities fraud, and one count of spoofing. As relevant to the time period in the indictment, Smith was an Executive Director and trader on JPMorgan's precious metals desk in New York. Smith joined the bank in May 2008. Nowak was a Managing Director who ran JPMorgan's global precious metals desk. Nowak joined the bank in July 1996. Jordan was an Executive Director on JPMorgan's precious metals desk in New York until December 2009. He joined the bank in March 2006.

As alleged in the indictment, between approximately May 2008 and August 2016, the defendants and their co-conspirators were members of JPMorgan's global precious metals trading desk in New York, London, and Singapore with varying degrees of seniority and supervisory responsibility over others on the desk. The indictment alleges that the defendants and their co-conspirators engaged in widespread spoofing, market manipulation, and fraud while working on JPMorgan's precious metals desk by placing orders, involving thousands of trading sequences, for precious metals futures contracts they intended to cancel before execution in an effort to create liquidity and drive prices toward orders they wanted to execute on the opposite side of the market. As also alleged in the indictment, the defendants and their co-conspirators defrauded JPMorgan's clients who had bought or sold "barrier options" by trading precious metals futures contracts in a manner that attempted to push the price towards a price level at which JPMorgan would make money on the option ("barrier-running"), or away from a price level at which JPMorgan would lose money on the option ("barrier-defending").

On September 16, 2019, the indictment was unsealed, and the defendants made their initial appearances before U.S. Magistrate Judges in Newark, New Jersey, and White Plains, New York. As of the date of this letter, an arraignment date for the defendants in the Northern District of Illinois has not been scheduled.

The government expects to file another update with the Court prior to the expiration of the stay in this consolidated action on October 31, 2019 in which the government will provide its view as to the continuing need for a stay. The government, of course, remains willing to respond to any questions the Court may have prior to that date.

Respectfully submitted,

ROBERT A. ZINK
Chief, Fraud Section
Criminal Division
U.S. Department of Justice

By: /s/Matthew F. Sullivan
Avi Perry
Matthew F. Sullivan
Trial Attorneys
1400 New York Ave., NW
Washington, DC 20530
(202) 203-9204 (Perry)
(202) 353-6200 (Sullivan)
Avi.Perry@usdoj.gov
Matthew.Sullivan2@usdoj.gov